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# Governing Gambling in the United States

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## **CHAPTER 1**

### **Introduction: Gambling in American Culture**

Since the birth of the American nation, gambling has formed a part of culture on the North American continent. Risk taking and daringness have helped shape the United States into what it is today: a country in which both the fortunate and unfortunate place their bets for a more promising future. At different times in history people from all over the world have taken a risk by immigrating to this prosperous country.

By taking a journey to the New World, the colonists were risking getting lost at sea, running out of food, and the danger of surviving. The climate and possible dangers were foreign, yet they persevered in forming a new home. The United States of America was founded due to the willingness of the colonists to take a risk and break away from Great Britain. These brave revolutionists were willing to risk their lives for the beliefs that they held; they were willing to defy the king of England in the effort to construct a nation that would better meet their needs and that of those they loved. However, the possibility of losing such a grave wager not only endangered the men, but their families as well. Nevertheless, they saw a different lifestyle that seemed attainable if they were willing to take a chance and fight for what they wanted. Although the stakes were high, the outcomes were more than desirable—they seemed essential to the concept of happiness itself. The opportunity to have options, to be free of political and religious persecution, to be able to govern one's self as one sees fit, were all part of the unalienable Rights found in the United States' Declaration of Independence. Furthermore, the

Declaration of Independence, the document that could have ultimately have cost the patriots their lives, was based solely on the *opportunity* to be able to pursue whatever happiness may mean to an individual. This is how the United States of America was founded—on the mere chance that events would favor the colonists, even when all odds seemed to be against them. Thus, it seems that there is something distinctly American about being a risk taker.

Gambling is based upon the willingness to take risks, to make bets even when they do not seem likely in order to increase one's gains. Being a risk-taker is a fundamental aspect of being American, of trying to attain the American Dream. The idea of going from rags to riches is heavily influenced by the notion that everyone who successfully follows this pattern has to make some hard decisions and take some risks even when these seem to be unfavorable. Even the familiar phrase "Go big, or go home" implies that being safe and taking small chances is not worth the time being invested; one might as well "go for the gold," set high expectations, or not try at all. However, taking a chance does not mean taking a foolish risk, something many gamblers often confuse. One must be smart when placing bets in order to increase the chances of reaping in benefits. Some people learn this through experience, most learn it if it is part of their profession (such as being a bookie), but many continue to suffer the same undesirable consequences. This does not seem like a trend that will be going out of style as it is even affecting American youth. In fact, there are people such as Edward O. Thorp who dedicate time to discovering ways in which to beat the odds. Thorp is the author of *Beat the Dealer*, a book that teaches the reader how to count cards and profit from playing blackjack. Thorp,

however, is only one of several mathematicians who have tried to beat the system and reshape his luck so that risk taking will be profitable.

Betting has deep roots in American culture. It is for this reason that it has been hard to address the social harms inherent in gambling. One is unlikely to view an individual's gambling problem the same way that one would view alcoholism or some other type of personality disorder. If people who are afflicted with gambling addiction do not receive help, their problems will spill onto society. Organized crime and street crime will continue to flourish. Illegal gambling will continue to encourage money laundering. Both the government and communities will continue to be hurt. On the other hand, gambling may be beneficial in that it can create a lot of tax revenue that can be used to improve public goods and services such as education. It has also seemed to benefit Native Americans in that it has provided them with a source of income that most people are not legally allowed to have. Gambling in itself is not wrong if one can control it.

There are various forms of gambling. While casino gambling and lotteries are legal, sports wagering is not. It is interesting to note what different forms of gambling represent to society and what values government is enforcing through its legislation concerning gambling. While each form of gambling has its own unique harms and benefits, they also have many overlapping consequences.

This paper will focus on the legal issues associated with gambling, along with its impact on society. It will touch on the various forms of gambling and the cultures surrounding them. It is hard to fully understand the gambling question without acknowledging its economic impacts so there will also be a section on this. This paper

will also attempt to analyze if government's regulation of the gaming industry is sufficient.

## **CHAPTER 2**

### **The Economics of Distinct Forms of Gambling**

The economics behind gambling greatly affects both politics and the perception that gambling is immoral. Legislators often propose to levy “sin taxes” as a form of punishing gambling behavior, even as gambling simultaneously creates revenue for the states. The truth is, if one were to examine the numbers, sin taxes do very little to discourage gambling. The wagering industry is extremely successful because of its considerable powers of persuasion along with the wish in humans, especially in Americans, to seek rewards through risk. In fact, not all of the revenue created by gambling is readily available because of the popularity of underground gambling commerce. Aside from horseracing, it is illegal to bet on sport events. Nevertheless, the underground wagering market is thriving. By noting both the proceeds of the legal gambling sector and the best estimate of what the underground earnings are, a better understanding of the economic power that the parties who run these facilities have can be achieved.

### **Economics of Casino Gambling**

Tax revenues from casinos may be examined in two distinct groups. Because Native American-owned casinos follow different regulations than commercial casinos, the profits reaped by the government from these gambling institutions are often separated into two different categories. While tribal casinos are not liable to pay taxes because of

the government recognized sovereignty of Native American tribes, they do contribute a vast amount of money to the government, especially for being an entity that is not required to do so. Nevertheless, it does not make a significant part of governmental GDP. In 2004, Native American casinos “contributed \$888 million to state and local governments on 2004 AGR of \$19.0 billion.”<sup>1</sup> In comparison, the profit made from taxing commercial casinos in 2004 was \$4.7 billion.<sup>2</sup>

To better compare the revenue that the government earns from gambling establishments, the income received from both tribal casinos and commercial casinos can be studied using like variables. In 2004, the average tax rate of commercial casinos was 16.4% while the income made from tribal casinos may be translated to an average tax rate of 4.7%.<sup>3</sup> Commercial casinos provide significantly more money to governmental institutions than do tribal casinos; nevertheless, taking the two together, the overall earnings the government receives are substantial. Furthermore, wagering proceeds increase every year.

It is important to understand what percentage of taxation comes directly from casino taxes. The following table demonstrates how dependent upon the revenue made from casino taxes the states that host commercial casinos are. While Colorado’s casino taxes made up only 1.4% of the total tax collected in 2004, Nevada’s casino taxes made up 18.7%. If casino taxes were eliminated in Colorado, the impact would not be too severe; however, if the same scenario occurred in Nevada, this state would be devastated. The chart below also shows the trend of casino taxes as a percentage of the total tax collection over a period of seven years in different states hosting commercial casinos.

While in some states income made from casino taxes has decreased, there has been an overall increase of casino taxes as a percentage of tax collection.

**Casino Taxes as a Percentage of total Tax Collection, 1998-2004**

State	1998	1999	2000	2001	2002	2003	2004
Colorado	1.0	1.1	1.1	1.3	1.4	1.4	1.4
Illinois	1.7	2.0	2.1	2.4	3.0	3.2	3.1
Indiana	3.6	4.0	4.3	4.7	5.2	6.0	6.4
Iowa	2.0	4.3	4.0	4.2	5.0	4.1	4.9
Louisiana	5.3	5.4	5.7	5.1	5.9	6.2	5.4
Michigan	N.A.	0.1	0.7	1.0	1.1	1.0	1.2
Mississippi	5.9	7.4	7.2	6.6	6.6	6.4	6.5
Missouri	3.0	3.2	3.5	3.6	4.1	4.2	4.4
Nevada	18.3	20.6	21.2	19.7	21.9	18.4	18.7
New Jersey	1.9	1.9	1.8	1.8	2.1	2.0	2.2
South Dakota	0.5	0.5	0.6	0.5	0.5	0.5	1.1
All Casino States	2.6	2.9	3.1	3.2	3.6	3.7	3.9

This chart reveals how important gambling is in some states. In Nevada, a politician's career can be deeply affected by his stance on how state government should deal with gambling. Incidentally, if a politician embraces the existence and or expansion of the gambling industry he will usually argue that this helps economic development.

Earl L. Grinols, a former economics professor at MIT and Cornell University, tries to correct the misperception that the creation of casinos causes economic development. In his book, *Gambling in America*, Grinols explains that economic development occurs when the overall wellbeing of society increases. He clarifies that casinos help the economy grow when they truly create new jobs and not just replace old jobs. Nevertheless, this is not enough to measure the use of casinos as an effective economic development tool. The money created is important in his analysis. There must



be a creation of wealth. Grinols states that: “Cannibalized revenues are not new activity and should not be attributed to a casino...as net exports.”<sup>5</sup> He refers to money that would have been spent regardless but is instead spent on gambling or another good or service. Cannibalized revenue, he argues, is not a factor in the development of the economy. Grinols emphasizes that casinos increase economic development when more money is generated; this should improve the wellbeing of households and possibly, but not necessarily, create jobs.

While commercial gambling clearly has some economic impact on state budgets, it does not necessarily expand economic development. Statistics may be easily manipulated by a witty politician to legitimize his or her policies. Nevertheless, it is important to note that while profits made from commercial gambling may not be improving economic development, they may be keeping it stable. New casinos may only be replacing old jobs instead of creating new jobs, but at the least they are preventing an increase in unemployment. The tax revenue dependency of each state on commercial gambling differs. In some states, commercial gambling is a central part of their economy because it creates tourism. For this reason, the theory that commercial gambling enables economic development cannot be completely ruled out.

### **Lotteries and Government Revenue**

An interesting form of legalized gambling that helps raise revenues for state governments is lotteries. This is the only form of gambling that is entirely managed by the states. All of the currency created by lotteries, including sales taxes and winning taxes, belongs to state and federal governments. While profits made from lotteries do not

account for a significant amount of the states' wealth, it has shown annual growth.<sup>6</sup> The income generated by lotteries is partly used to supply and improve public goods and services such as education and administrative costs.

#### Select State and Federal Taxes on Lottery Winnings

<b>Mega Millions Lottery Name</b>	<b>Lottery Winnings State Tax</b>	<b>Lottery Winnings Federal Tax</b>
<b>California Lottery</b>	No state tax	25% federal tax
<b>Georgia Lottery</b>	6% state tax	25% federal tax
<b>Illinois Lottery</b>	3% state tax	25% federal tax
<b>Maryland Lottery</b>	7.75 % for state and local; 6% for non-Maryland residents	25% federal tax
<b>Massachusetts Lottery</b>	5% state tax	25% federal tax
<b>Michigan Lottery</b>	4.35% state tax	25% federal tax
<b>New Jersey Lottery</b>	No state tax	25% federal tax
<b>New York Lottery</b>	6.85% state tax, New York City: 4.648% city tax, Yonkers: 0.685% city tax	25% federal tax
<b>Ohio Lottery</b>	6% state tax	25% federal tax
<b>Texas Lottery</b>	No state tax	25% federal tax
<b>Virginia Lottery</b>	4% state tax	25% federal tax
<b>Washington Lottery</b>	No state tax	25% federal tax

This table demonstrates the way in which different states approach lottery income. While some states do not tax lottery winnings, other states clearly strive to increase their revenue by imposing taxes. Interestingly and logically, some states impose heavier taxes on lottery winnings than others do. If the money is used to improve infrastructure or education, it is reasonable that a person who might benefit more from this should have a higher taxation rate. Nevertheless, the federal government has an obvious interest in improving federal public goods by imposing equally high taxes across state lines.

In 1995, the United States had an income of \$28.7 billion from the sale of lottery tickets.<sup>8</sup> The government intake from the sale of lottery tickets has continued to increase. According to the Tax Foundation: “In Fiscal Year 2004, lotteries generated over \$48 billion in consumer spending, up from almost \$45 billion in Fiscal Year 2003.”<sup>9</sup> Since then, the accessibility to buying lottery tickets has increased. More places sell lottery tickets, and lottery ticket drawings have increased. Additionally, more lottery games have been created. All of these factors help contribute to growing profits from lottery sales. People will continue to participate in lottery drawings, especially because lottery tickets are incredibly cheap. One can buy a lottery ticket for \$1. When spending such a relatively small amount of money buys one the chance to win more than twice the amount of money that was spent, it may be hard to resist buying a lottery ticket. The cost is low but the returns could be magnificent.

The profits made from the sale of lottery tickets are divided in approximately three ways. About half of the intake is used in the form of cash prizes for the winners of the lottery. From the remaining proceeds, some of it is used to finance the operational costs of the lottery and the rest is allocated to public goods and services by the both the state and federal government.<sup>10</sup> It is for this reason that lottery returns only make up a small part of the government budget. Nevertheless, these earnings do help alleviate state governments with their spending necessities.

### **The Economics of Sports Wagering**

According to Daniel B. King, accountant and author of the article “Sports Betting as an Alternative Investment,” if one knows what one is doing, one is as likely to make a

profit from betting on sports as one is from making a profit from investing on stocks.<sup>11</sup> King argues that people who successfully invest on Wall Street have knowledge that ordinary people do not possess, and if one were to hire a professional bettor as one hires a firm to invest one's money, the monetary returns would be just as bountiful. However, King does state that "a good bettor will still lose around 4.4 to 4.6 bets out of 10."<sup>12</sup>

It is hard to trace the economics behind sports bets because much of it is part of the underground economy. However, the revenue from sports books that has formed part of the U.S. GDP has been \$0.1 billion each year since 1999 to 2005, and in 2006 it doubled to \$0.2 billion.<sup>13</sup>

#### **Nevada Gambling 2004-2006: Race and Sports**

Year	Total Money Wagered	Revenue (House Wins)
2004	\$2.6 billion	\$203.5 million
2005	\$3.1 billion	\$225.5 million
2006	\$3 billion	\$480 million

<sup>14</sup>

This chart alone shows how much money is being legally wagered in only one state. One can only imagine how much more currency is actually part of the underground economy. According to a letter that Massachusetts' gubernatorial candidate, Christy Mihos, wrote, criminal wagers make up \$400 billion of the United States underground economy.<sup>15</sup> This is such a large sum that Mihos pleads to allow for a legal avenue for sports wagers to be made in his state in an effort to raise as much needed money as possible in the current recession.

Mihos' ideas do not seem so implausible after one learns a few facts, such as that "...in the late 1990s, there were an estimated 250,000 bookies in the United States, and

they did an annual business of more than \$100 billion,”<sup>16</sup> or that “the amount of money bet on sports via the Internet almost doubled from \$1.2 billion in 1999 to \$2.17 billion in 2001.”<sup>17</sup> The numbers are huge and being able to visualize what could be done for this country with this possible revenue makes it almost silly to ignore the possibility of being able to legalize betting. People are going to find bookies to accept their bets, whether it is through legal or illegal means. It seems almost too erodent that states might make gambling legally accessible and reap the tax benefits.

Integrating the revenue made from sports bets into the U.S. GDP would increase the money available to the government to help expand infrastructures and improve such social services as education. However, many criticize this idea as immoral and not worth the benefits gained from it. Yet, it makes a lasting impression when looking at the numbers and imagining what the country would be able to accomplish if betting illegally were to be legalized.

### **CHAPTER 3**

#### **Government Regulation of Gambling**

Because of the problems associated with gambling, along with society's concern for its morality, there are various laws dealing with gambling in general and some concerning with sports wagering in specific. There are various well articulated arguments for the acceptance of gambling, but just as many for its condemnation. This dilemma can be illustrated by what may seem to be contradicting policies concerning gambling. While state lotteries are perfectly legal and the revenue made from them is often intended to help increase the quality of education, the same is not true for sports wagering.

Some of the strictest laws apply to internet gambling. With the constant advances in technology, people have easier access to more things, including sports betting online in the convenience of one's home. In fact, one can simply use a research engine, such as Google, and easily find hundreds of online bookies. However, many "require bettors to first open accounts of at least \$500 or \$1000 to finance their play."<sup>18</sup> To the average middleclass American, losing a bet of this magnitude could have a severe impact on his or her daily life. At the extreme addiction could result. It is for this reason that government has seen it to be its rightful place to intervene. Legislation concerning gambling is frequently imposed, overturned, revised, and amended.

The Interstate Horseracing Act of 1978 was amended in 2000 to specify the legal permission to wager through different mediums of communication—including the telephone and the internet—across state lines if this sort of behavior was legal in the

states involved.<sup>19</sup> This was done in an effort of the federal government to retain control of interstate commerce; but the law is fluid enough to allow states to decide if this behavior should be outlawed. This type of law is important for it helps prevent cases such as *Katz v. United States* (1967)—a peculiar incident in American history in which Katz's privacy, protected by the 4<sup>th</sup> Amendment, was violated when government agents tapped the phone line from which Katz was relaying wagering information to individuals in different states.<sup>20</sup>

The Internet Gambling Prohibition Act of 1997 has helped to define previous laws more clearly such as 18 U.S.C. 1084. This policy expands criminal chargers to persons found guilty of placing any wagers online, as opposed to only holding illegal bookies accountable. Furthermore, it also makes it illegal to receive betting information through electronic communication mediums, and it allows prosecution to be able to be expanded if one of the involved parties was not in the United States at the time of the crime.<sup>21</sup> Additionally, it gives Congress the right to demand that communication services disconnect illegal gambling businesses from their services. The Internet Gambling Prohibition Act has helped regulate online wagering, along with other electronic sources of communication.

In the late 1940s, the United States Senate created a special committee to investigate how organized crime affected interstate commerce. In their investigations they found that organized crime heavily depended on the profits from gambling to finance their activities. As a result, the Model Anti-Gambling Act was passed in 1952.<sup>22</sup> It targeted people who ran gambling institutions or who gambled with the goal of winning profits. Social gambling was considered harmless. Punishments for engaging in

the declared criminal behavior included fines and imprisonment. A select number of states adopted the act but by 1984 it was retired. Other laws have since been created to better meet the needs of the states.

Among the many affairs of the states that the United States government is concerned with, interstate commerce has been a continuous pressing issue. In an effort to continue to combat illegal activities associated with gambling, Congress passed the Illegal Money Transmitters Act of 1992.<sup>23</sup> This act targets the owners of businesses who knowingly allow money laundering to occur. While many establishments can allow monetary transactions to hide the illegal origins or destinations of currency, casinos are the stereotypical institutions. This appears to be even more likely when criminal organizations have a history of using gambling businesses to fund their illegal activities. The Act of 1992 made it a felony or a misdemeanor, depending on the state, to allow money laundering to occur. It could be punished by 5 years imprisonment and a fine.

Both the Model Anti-Gambling Act and the Illegal Money Transmitters Act imply that the American government despises criminal organizations and will attempt to create legislation to further punish their activities. While the Model Anti-Gambling Act attempted to punish those who used gambling as a means to sustain themselves with the prior knowledge that criminal organizations did just that, the Illegal Money Transmitters Act criminalized institutions enabling criminal organizations to fund their activities with illegally obtained money.

The regulation of Indian Gaming has also formed an important part of gambling legislation. The Indian Gambling Regulatory Act was enacted in 1988 in an effort to respect tribal autonomy while maintaining control over criminal activities associated with



gambling.<sup>24</sup> This statute divided gambling activities into three distinct classes. Class I gambling consists of Native American conventional forms of gambling. Class II gambling refers to bingo and lottery games. Class III gambling is concerned with casino gambling and any other form of gambling not encompassed by the previous classes. The United States government is mildly interested in Class II gambling and extremely concerned with Class III gambling. Class II gambling is only a problem when the games under this division are illegal in the state in which it is being practiced. Class III gambling requires Native American tribes to seek the permission of the state to be able to operate casinos. The state is supposed to allow it if adequate safety measures are taken. A more in depth analysis of Native American gambling will be presented in Chapter 6.

Concerning to more traditional forms of betting, the Professional and Amateur Sports Protection Act of 1992 outlawed the legalization of sports gambling in all states with the exceptions of Nevada and Oregon.<sup>25</sup> This law is intended to protect the integrity of sports and to help retain ethical and core values on all levels—from college sports to professional sports. The Federal Wire Act, another such piece of legislation designed to help state governments better control their residents by giving them the power to punish offenders with up to two years of prison and a fine, was also anticipated to help reduce sports wagering.

Policies have been implemented to help prevent illegal sports wagering and to help promote clean competition. Nevertheless, there are still many bills being worked on and many that have not made it out of Congressional committees. The High School and College Gambling Prohibition Act was introduced as a bill in 2000, but neither the House of Representatives nor the Senate ever got to vote on it.<sup>26</sup> The purpose of the bill was to

ensure that wagering would neither hinder nor tarnish youth sports. Any type of wagering on high school, college, or Olympic sports, or on the performance of the athletes, was declared to be illegal. Although this bill died in the legislative process, it still has the potential to be resuscitated.

The laws analyzed demonstrate the federal government's concern with individuals' privacy, retaining the integrity of sports, relations with Indian nations, and the overall desire of preventing criminal organizations from benefiting from gambling. Laws pertaining to lotteries are drastically different. The government has a monopoly on lotteries and the laws on this form of gambling deal with third parties. Federal and state regulations are more wary of what the ordinary citizen could do with a lottery ticket. It is for this reason that the majority of lottery laws prohibit the transportation of lottery tickets unless specifically allowed under local statutes.<sup>27</sup> Even the distribution of pamphlets with information on winning lottery prizes is prohibited. When examining all these laws, even on gambling events as different as lotteries and casino wagering, one may notice that the federal government does not trust the judgment of its residents. It is as if the government is intending on protecting society from what they seem to think are foolish decisions on behalf of people who engage in gambling activities. Nevertheless, ordinary people have just as strong of an opinion on this behavior.

Laws concerning gambling, especially in sports, are labeled as morality laws. Citizens often have strong opinions about such behavior and its implication for society. The politics behind the legal acceptance of sports wagering is often closely tied to economic perspectives and to the principles society holds. While there are many

restrictions on gambling, there are also various loopholes and numerous individuals who will disregard public policy.

## **CHAPTER 4**

### **Politics in Action**

There are issues which American citizens need more information on to create an opinion, such as what the appropriate level of carbon dioxide emissions should be in factories in order to slow down global warming. There are other issues, often called moral issues, for which more information will most likely not change anyone's opinion. People who care about moral issues tend to be very passionate and very unlikely to be willing to compromise on an issue. Politicians running for a political office often recognize this ideological or moral segment of the population as possible constituents and try to appeal to them by taking a firm stance on an issue. Moderate positions on an issue do not get politicians any votes. A popular moral issue is gambling. People either approve of it or condemn it. The most popular argument for supporting gambling is that people have a right to engage in activities that they enjoy if they do not harm other people. It is a basic liberty. Playing at a slot machine should have no effect on anybody else. If an individual develops a destructive gambling habit then it is unfortunate. Any behavior could become harmful if it becomes addictive; gambling does not provide any special circumstance. Additionally, many people believe that gambling advances economic development and that it helps create jobs. Any information that disproves any of these beliefs will surely be discarded.

There are also various arguments against the legality and expansion of gambling. This industry is positively correlated with the increase in crimes. It is associated vice.

Some of the people who own and administer gambling businesses have been notorious criminals. Some American citizens do not understand how it could be possible for an activity that is connected with the Mafia could bring any positive outcome to society. Politicians recognize these concerns and use them to better shape a career for themselves. Often, they deliver passionate speeches about how they will protect the American people from a restriction on their liberties or from the “evils” of criminal enterprises. For instance, in famous hearings, Senator Estes Kefauver utilized the issue of gambling to win his reelection. This chapter will focus on his efforts as an example of the role gambling plays in politics. Often, much attention will be brought to the issue, but just as suddenly the spotlight may turn off and the situation will return to oblivion.

### **The Kefauver Committee**

Opportunistic politicians have often turned to the issue of gambling as a means of gathering political and financial support. Sometimes, however, it is not the common gambling issue of what type of wagering is legal that is being attacked, but the corruption behind gambling that is significant. Most authority figures are aware that mobsters often congregate in places that foster gambling and wagering games. Furthermore, many people in positions of power know that many places, such as casinos, are owned and administered by notorious criminals. Locations such as Las Vegas and Chicago, where gambling is popular, are perfect for cunning governmental figures who want to easily find a problem to combat.

For fifteen months, from 1950 to 1951, Democratic Senator Estes Kefauver from Tennessee tried to rid the United States of organized crime. He travelled to fourteen

different cities in an effort to eliminate the presence of gangsters.<sup>28</sup> Kefauver created a Senate committee that travelled with him; together they would hold hearings concerning the underground economy. Members who made up the committee were politicians from both Democratic and Republican parties. Many of the Kefauver Committee members were not well known prior to the hearings and used this project as a vehicle to gain popularity to achieve their own personal political ambitions.

Senator Charles W. Tobey (R-New Hampshire) agreed to join the Kefauver hearings partly because his reelection was nearing in his state.<sup>29</sup> Tobey's contributions to the Kefauver Committee, however, were minimal. He mostly brought attention to himself by loudly voicing his opinions and bringing attention to whatever issue would politically help him.

Tobey prodded the Committee to open an investigation into gambling operations in Boston and New England, from which he might benefit... [and] he attempted to link his New Hampshire political opponents to crime syndicates...<sup>30</sup>

When Tobey's suggestions for possible investigations were ignored, he would engage in pointless criticism; it distracted attention from pressing issues and did not help advance the project. Furthermore, attacking his political rivals only caused them to bring awareness to Tobey's lack of assistance in decreasing crime. As evidence of this, Tobey was often ill prepared in the hearings and would not always know all of the relevant facts in the cases. Clearly, Tobey's involvement in the committee was strictly for political self promotion.

To bring attention to what has been dubbed the Kefauver Hearings, Kefauver invited television networks to film the court hearings.<sup>31</sup> The televised hearings instantly became popular. In the 1950s not too many American families owned television sets, but this did not prevent the Kefauver Committee from having a large audience. Many people would watch the spectacle at bars or restaurants. Movie theaters began to show the Kefauver Hearings too.<sup>32</sup> The American public was drawn into the mixture of crime, politics, and justice. It was a common conversation topic among housewives. The publicity that the Kefauver Hearings received helped to shape American culture and knowledge.

Prior to the Kefauver Committee, the “Mafia” was mysterious in that it seemed almost to be merely a myth. In fact, Kefauver introduced this term to American citizens.<sup>33</sup> Kefauver shed light upon the world of organized crime and the underground economy it sustained. He targeted kingpins of illegitimate businesses that included the trade of prostitution and narcotics along with illegal gambling. Not too many Americans were aware of this reality, especially if they lived at a distance from where these events took place. The mystery surrounding these new findings also helped to turn Kefauver into a celebrity.

Kefauver was invited to be the mystery celebrity guest on CBS’s production *What’s My Line?*<sup>34</sup> In this game show, a panel would ask a series of questions from which it would derive its answer as to who the mystery guest was. As the panel began to learn that the guest was Kefauver, they started to make allusions to the Kefauver Committee. This further demonstrates the popularity of the hearings. At some point, one of the participants was asked a question to which he answered: “I refuse to answer on the

grounds that it might tend to incriminate me.”<sup>35</sup> This phrase had essentially become the catchphrase of the Kefauver Hearings. In trial, many of the defendants would answer questions with this phrase or some variation of it. Thus, the 5<sup>th</sup> Amendment protection against self incrimination started to become common knowledge. While the American public became captivated by the Kefauver Hearings, it had its critics.

One of the stops that the Kefauver Committee made was in Las Vegas. The population here seemed more annoyed than amused at the arrival of the committee. The syndicates in Las Vegas, as in other cities, had little respect for the Kefauver Hearings. They saw it as just another example of politicians striving to gain constituents.

“Privately my father and his friends joked that the Commission [sic] would never shut them,” remembered the daughter of one of the [casino] owners. “They had never had respect for politicians since they had made a career of bribing them.”<sup>36</sup>

These sentiments accurately give insight into the relationship that politicians and Mafia members seemed to have during the Kefauver Hearings. When witnesses were called to testify at the hearings in Las Vegas, their testimonies on Mafia activities and the underground economy were conveniently ignored by the Kefauver Committee.<sup>37</sup> Easily attainable information from the police department on organized criminal activities was also not taken into consideration. Nevertheless, the media noticed these discrepancies. It was remarked that members on the Kefauver Committee and other politicians who showed public approval of their project had ties to different syndicates.<sup>38</sup> Furthermore, many of these politicians received money from the Mafia for their political campaigns. It



was also common knowledge that Kefauver was a habitual gambler and as a result may have had some relationship with mobsters. This would provide a plausible explanation for why there was relatively little change in Las Vegas after the Kefauver Committee left the city. The contribution that the Kefauver Committee made to Las Vegas was a recommendation to increase taxation on gambling; this was a proposition that had no popular support.<sup>39</sup>

In conclusion, the Kefauver Committee received plenty of attention for the drama that it offered; however, very little was actually accomplished. It was essentially a tool to increase the popularity of various politicians, including Kefauver, who had presidential aspirations. The world of organized crime was largely unaffected. The Kefauver Hearings actually encouraged more criminals to run their corrupt businesses in Las Vegas. After the hearings in that city it became obvious that mobsters in Las Vegas were rarely disturbed by the government. Nevertheless, the hearings captivated the federal government's interest which at a later time inspired a more thorough investigation of syndicates in the United States. The Kefauver Committee is an example of the role politics plays in the culture of gambling.

## **CHAPTER 5**

### **Gambling and Sports**

Sports wagering is a popular form of gambling. While a great part of sports betting occurs in the underground market, there are some legal venues. Horse races are the only athletic events in which legal betting is incorporated. People can openly participate in bets at horse racing facilities. In fact, it is rare that people who attend horse races fail to participate in any bets. While horse races are the only sport to allow wagering, there are legal bookkeepers who conduct bets on different sports.

The only two states in which betting on sports are legal are Nevada and Oregon. In these two states, casinos offer a vast amount of betting opportunities on every sport. One can find a few sporting events to place a wager on every day of the year. The most popular sports to wager on are baseball, college basketball, and professional boxing.

This section will examine horse racing, the only sport to allow legal betting, and boxing. Observing prize fighting will serve as an example of a sport in which wagering is carefully limited and corruption can easily occur. It is also perhaps the ideal sport to compare to horseracing. Boxing and horseracing are similar in their setup; they are both individualistic sports in which only one athletic participant can win. These sports will help to contrast the differences in how wagering occurs because of government regulations. Some historical background will be provided to better understand how gambling has become a part of these sports.

## **Horse Racing**

One of the few legal gambling activities related to sports includes betting on horse races. Of course there are always going to be illegal wagers, but it is one of the few sports activities that has a legal avenue in which to place bets. Furthermore, there are many people who would argue that the only reason why horseracing exists at all is for the thrill of making bets.

The history of horse racing is a long one; there is a general consensus that this sport was practiced as far back as in the time of the Roman Empire. However, official documentation of horse racing events is not available until the early 1500s.<sup>40</sup> Horseracing gained popularity in the 1600s, with Charles II encouraging the development of the sport and becoming a horseman himself.<sup>41</sup> It became a sport that royalty and their courtiers followed, thus making horseracing a sport that demonstrated sophistication and class. Even as early as the 1600s, gambling on the races formed a central part of the sport.

The Jockey Club, founded in Britain in the 1750s by horseracing fanatics, helped structure the sport even more. The club created regulations, some which “opened races to public participation, but betting remained a matter between private individuals.”<sup>42</sup> Until 1758, horseracing was a sport that only the elite were entitled to enjoy, creating a small betting society that was easy to hold accountable. Just as the sport became more refined, so did wagering. People began to gather in neutral spaces, usually locations where horses were kept, and began to place bets.<sup>43</sup> Throughout the centuries, however, different regulations changed concerning whether or not betting on horse races was legal.

Today, attending the races at tracks remains a popular activity that people from several distinct socioeconomic backgrounds can enjoy. One of the principle forms in

which the public participates is by making bets prior to the races. It is important to note that a great majority of people attending the races are experienced and possess some strategy for placing bets. Therefore newcomers should take the time to learn some of the crucial facts concerning horse racing if they want to have a chance at making a profit. For this reason Jack Waterman, a professional writer on the sport for various magazines, wrote *The Punter's Friend: A Guide to Racing and Betting*.

Waterman gives helpful suggestions on how to bet on a race, from the how to choose the betting shop to how to make the decision on how to bet. First, he recommends that one investigate the different available betting shops and become aware of the distinct policies or tax rates in them. He then advises that one find a betting slip, write down the type of bet (since there are various sorts), write down the amount being bet, and finally write down the race and the horse's name.

Waterman also educates the reader on the possible ways one can bet; there is the bookmaker, the course-betting shop, and the tote. Interestingly, one may still be able to make bets as the race is happening although it is not recommended unless one is a professional bettor; these bets are riskier than most and one must be able to find the rare bookmaker who will accept them. What differentiates the course betting-shops from other wagering avenues is that one may not be able to pre-pay betting taxes. The returns will be taxed at about 4-10%. The tote method of betting involves an electric screen that shows different possible bets; in this mode individuals buy a bet. After doing so, the individual will receive a ticket which he is to save if he wants to claim his prize money in case of having bought a winning bet.

The amount of money that wagering on horse races brings into the government is astounding. The grand total of 2006 wagering for the state of California alone was \$4,263,096,561.<sup>44</sup> In contrast to illegal wagering, this money is taxed and helps the state government with infrastructure fees and other services provided to its residents. There are some important races that help raise this much money in the horse racing world. One of these is the Kentucky Derby. Every year, this event attracts hundreds of horse racing fanatics from all around the world. There is a great deal of excitement and many events are scheduled around this race, including festivals and private parties. In actuality, there is a completely distinct social world within this fascinating sport.

John Rosecrance documented his experience at an off-track horse betting casino in Lake Tahoe and reported what seemed to be a routine lifestyle for the men who attended these casinos. Rosecrance described how the vast majority of bettors were men and how the 'regulars' received special treatment from the house. The men who frequently bet on the horse races at the casino were given a free newspaper, the *Daily Racing Form*, dedicated solely to horse racing affairs, while other bettors had to pay for the same newspaper.<sup>45</sup> The regulars also seemed to have formed their own community which revolved around the races and which work time was discussed in an effort to reschedule it to be able to participate in this community.

People are social animals and have the need to belong to a group. It is understandable why an individual would choose to become part of a gambling faction, even if it is not the healthiest of societies. Nevertheless, for people who do choose to wager on horse races, it is important to moderate the bets and make an effort not to be strayed.

### Boxing and Gambling

Although boxing has long been a popular sport in American culture, it was once seen as barbaric, and any association with it could tarnish one's reputation. However, in 1880, Richard K. Fox—a reporter and owner of his own newspaper—began to promote boxing matches to increase the circulation of his paper.<sup>46</sup> At the time, other newspapers rarely paid any attention to the sport—Fox's ideas were bizarre but brilliant; he gained international subscriptions to his sheet. Furthermore, his first coverage (and the only coverage by any newspaper) of the prizefight between Paddy Ryan and Joe Goss in 1880 caused his paper to sell out. Fox's innovative ideas turned his newspaper, *The Police Gazette*, into a sports journal attracting gamblers to his readership list. Clients read *The Police Gazette* to learn of the sport's statistics and make appropriate bets. Since then, the bets made on boxing matches have grown exponentially.

Nevada—now the home of prizefighting matches—first legalized boxing in 1897 in an effort to overcome the Panic of 1893, the first economic depression.<sup>47</sup> It helped increase Nevada's economy and offered a glimpse of hope to those who made wagers in hopes of earning a bit of badly needed extra currency. Currently, the gambler's fallacy is still well and alive in Las Vegas, with thousands of bets, many on boxing matches, being made daily.

Boxing is a multi-million business that has had numerous ties to the Mafia. It is not uncommon for matches to be fixed, although it is disappointing. The 2010 Pacquiao vs. Clottey fight has been surrounded by many rumors that Clottey was paid to let Pacquiao win. One of the few reasons why a fight would even be fixed would be because

of a powerful man's desire to win a large bet. Although many people admire boxing because of the incredible physique and strength of the boxers, the majority of people who watch prizefighting—especially the popular matches shown on PayPerView—cannot help but to make more people involved with the sport, and many place wagers.

There are hundreds of bookkeepers for boxing matches. Bets range from betting on who the winner will be, to if the fight will be won by decision or by knockout, and even how many rounds it will last. Variations on the forms of betting on the same fight may make the match more interesting as there are many different opportunities to make bets. The following is an example of a boxing bet taken from SportBet website.

Line Example:

Name	Money line	Total Rounds
M. Tyson	+520	5½
E. Holyfield	-550	
Draw	+1200	

Money Line bets:

“When betting on the money line, you are betting that the fighter will win straight up in order to win your bet. Betting on E. Holyfield -550 means you must risk \$550 to win \$100. It does not matter when or how Holyfield wins, just that he is the official winner. Betting on M. Tyson +520, you stake \$100 to win \$520. Again, in this case, it does not matter when or how M. Tyson wins, just that he is the official winner.”<sup>48</sup>

Betting on boxing matches is simple, especially when buying services from a bookkeeper and learning of relevant statistical information. Sometimes the betting even happens in someone's garage with a group of friends who have gathered to watch the

fight. Nevertheless, there are laws regulating wagering activity, especially online booking.



## **CHAPTER 6**

### **Main Attraction: Gambling**

Gambling activities can be found just about anywhere. Bets on the Super Bowl may be easily taking place at one's next door neighbor's home. If one is in the mood for a more lucrative form of gambling, surely a casino will be located within driving distance. Furthermore, there are distinct forms of casinos. One can visit a commercial casino or a tribal casino. Some casinos have an air of elegance while other casinos are more homely. Various hotels also offer gambling opportunities. When it comes to gambling there are plenty of casinos to choose from. For people who desire to be surrounded by numerous luxurious casinos, Las Vegas, Nevada, is often the destination of choice. By examining how Las Vegas was transformed into one of the cities with the most tourism, one can examine the true impact of casinos in a single location. Casinos bring in money, which can fuel greed, corruption, and crime. The need for governmental political interference naturally follows. In essence, casinos can transform a bland place into a more vibrant and exciting destination.

In contrast, Native American gambling institutions have some very distinct problems. Many Native American tribes have been officially recognized as sovereign nations by the United States government. Nevertheless, the problem of how to negotiate the regulation of tribal casinos between Native American tribes and the United States government is still unresolved. Without a doubt, economics play a significant role. In this chapter we will study primary locations where gambling is legal and popular. Las Vegas

will serve as an example of what gambling can do to an ordinary American community. On the other hand, the inspection of Native American casinos will demonstrate how gambling has affected a historically oppressed community. The difference between commercial casinos and tribal casinos will be explained. Furthermore, it will show the ongoing tensions between Native American tribes and the federal government as the United States strives to dominate both the gaming industry and Native American sovereignty.

### **Las Vegas**

While through several past decades Las Vegas, Nevada, has offered many attractive opportunities to tourists and locals alike— including elegant hotels, fine shopping, prostitution, and a highly active nightlife— it is undisputable that one of the reasons for its popularity has been its status as the gambling capital of the United States. This is only logical. This infamous city was founded by mobsters whose one of many sources of income was gambling. Las Vegas is a city in which not only are gambling opportunities available any hour of any day of any week but which also offers diversity in the forms of gambling; whether it is casino machines, card games, or sporting events. Considerable plentitude in games of chance could have been constructed only by ambitious gamblers for the enjoyment of gamblers. It is a place in which vices are abundant and become easily contagious. Even government officials and organized criminal associations are occasionally revealed as having made some form of alliance. In fact, much of Las Vegas' early history foreshadows the present: what has now been dubbed as the City of Sin.

The legendary Las Vegas strip began to form in the early 1940s when Tom Hull decided to place a hotel by the side of a dusty road in Las Vegas.<sup>49</sup> Hull's hotel, El Rancho, became profitable since it was the only one available on this stretch of land. Furthermore, although there was some distance between El Rancho and the nearest residential areas, the hotel's casino helped attract clients. El Rancho's success caused Hull to expand his property to accommodate even more customers. Businessman R. E. Griffith noticed El Rancho's success and decided to imitate Hull's entrepreneurial aspiration; thus, The Last Frontier was created. Unlike El Rancho's fruitful results, the Last Frontier failed to yield as much revenue. It was commented that this drastic difference was due because:

Bill Moor [the man who helped design the building] didn't visualize that the gambling was the main thing. They were catering to the hotel guests. When you came into the lobby, you always had to ask, 'Where's the casino?' ... There should have been no door or wall between the lobby and the casino...<sup>50</sup>

This observation hints at what the future of Las Vegas was to become in the twenty first century. While a hotel does provide for the immediate necessity of lodging, people also seek a form of entertainment. Being able to provide this will increase the clientele even further by attracting customers who would not be using the hotel otherwise. In *A Short History of Las Vegas* by Barbara and Myrick Land, it is stated that Griffith was not too fond of gambling and this prevented him from recognizing how The

Last Frontier should have been designed. It is apparent that from its origin, the Las Vegas strip relied on the gaming industry to attract consumers.

Benjamin “Bugsy” Siegel is responsible for having permanently shaped Las Vegas into what it is today. Siegel grew up in a poor neighborhood in New York where he learned how to be feared and respected. As a teen, he joined Meyer Lansky’s notorious mob. After Siegel’s integration, he not only committed heinous crimes but he was also involved in various businesses including: “gambling...prostitution...illegal racing and gambling houses... (and) narcotics...Bugsy was one of America’s most successful entrepreneurs.”<sup>51</sup> Siegel’s background encouraged him to begin designing a luxurious hotel on the same strip as the Last Frontier and El Rancho. The project’s cost, however, amounted to more than had been originally estimated and many of the gangsters from Siegel’s criminal organization who had invested in Siegel’s project began to suspect that Siegel was stealing from them. Nevertheless, at Lansky’s request, the gang continued to patiently wait for Siegel’s project to be completed.<sup>52</sup> Lansky had hoped that after the opening of the Flamingo, Siegel’s hotel, enough income would be earned to pay back the debts Siegel had accumulated. However, the Flamingo had a slow start. Its opening night in late December 1946 was poorly attended and the hotel had yet to be completed. As a result, the Flamingo’s impatient investors murdered Siegel in January 1947. After this tragic event, Lansky’s Syndicate took control of the Flamingo and under the management of Gus Greenbaum, the Flamingo’s profits rapidly increased.<sup>53</sup>

What differentiated the Flamingo from previous hotels was its distinct elegance. In fact, it seemed to be out of place in that dusty road near the other mediocre hotels. What made the Flamingo important were the management’s liking and implementation of

various vices. Siegel's hotel became the playpen of society's shady characters; where prostitution, pornography, narcotics, and gambling were easily accessible.<sup>54</sup> Its tie to the Mafia brought individuals who led lives of crime and whose recreational activities included gambling. Soon, other gangsters created similar hotels nearby and the Las Vegas Strip began to take shape.

Today, according to VegasENews, 43% of Nevada's general fund comes from taxes imposed on gambling.<sup>55</sup> This is significantly more considering that New Jersey's population, the state with the second highest gambling rate in the United States, has wagered \$140 billion less than Nevada's population.<sup>56</sup> Las Vegas Strip, once only a dusty road in Nevada, is now a busy city in which numerous money transactions occur hourly. Without a doubt, Tom Hull's entrepreneurship and Benjamin Siegel's vision transformed this strip of desert into a gambler's heaven.

### **Indian Gaming**

One of the divisive issues in the gambling debate deals with Native American casinos. This has been complicated by the oppressive history that has resulted for Native Americans since the arrival of the colonists on the American continent. The political treatment of Native Americans has remained difficult since much of their current poverty has been blamed on the unfair usurpation of their lands along with other oppressive behavior that Native Americans have experienced. Past tribulations have made legal interference in Native American gambling practices a delicate subject. Nevertheless, "the tribes now have the largest gambling industry segment in the United States, having surpassed the gross gambling revenues of the state of Nevada in 2001."<sup>57</sup> Many people

mistakenly believe that it is the result of a federal welfare program designed to help Native Americans. Regardless, a vast amount of people are bothered by it and many politicians exploit this annoyance.

Although it has not always proved to help Native American gaming be successful, one of the reasons why tribes managing casinos are able to keep a greater portion of casino incomes than the average non-Native American casino owner is the Indian Gambling Regulatory Act (IGRA) of 1988. This statute was passed as a result of *California v. Cabazon* (1987).<sup>58</sup> In the *Cabazon* case, Native American tribes were engaged in gambling activities on their reservation land. This created many jobs for members of their tribes and allowed them to sustain their communities. The state of California saw this as an opportunity to increase its revenue and wanted to extend their gambling laws into the reservations where gambling was occurring. After the federal district court ruled in favor of *Cabazon* and the Ninth Circuit affirmed the decision, the case finally made it to the Supreme Court on appeals. Justice White, who wrote the majority opinion, declared that recognized tribes (such as the ones involved in the case) had autonomy on their land and thus federal law could not be applied to them. Public Law 280, on which the lawsuit was based, had to be clarified; the limited instances in which federal law could persecute Native Americans was when Native Americans were involved in criminal activity with non-Native Americans.

The *Cabazon* outcome helped reaffirm Native American sovereignty on their lands; however, because Public Law 280 lacked clarity, Congress drafted the Indian Gambling Regulatory Act. This statute compiled gambling into three distinct classes and stated the role state governments were allowed to play in each class of gambling as it

applied to recognized Native American tribes. Class I consists of gambling games practiced traditionally by Native Americans often for ceremonial purposes. Native American tribes have complete sovereignty when it comes to Class I gambling. Class II gambling includes bingo, punch boards, and various card games; however, all the betting has to be between the players and not with the house. This category of gaming is allowed so long as it is legal in the state in which it is being practiced. Class III gaming encompasses every other form of gambling. However, Native American tribes have to come to an agreement with the state in which they will be conducting these games.<sup>59</sup> Class III gaming should be regulated by state or federal authorities and these may charge the casino owners for the expenses of their services but may not tax them. Furthermore, the income that gambling may bring is to be used only for the betterment of the Native American community.

Even after these minimal legal gains that Native American tribes have attained, they continue to be vulnerable. In 1996, the Seminole tribe of Florida sued the state of Florida for refusing to negotiate with them in order to be able to engage in Class III gambling as defined by the Indian Gaming Regulatory Act. In *Seminole Tribe of Florida v. Florida* (1996), the Supreme Court ruled against the Seminole Tribe and stated that “...the Eleventh Amendment...embraced a doctrine of state sovereign immunity and ruled that Congress did not have the authority to subject states to such lawsuits without their consent.”<sup>60</sup> This decision invalidated part of the Indian Gaming Regulatory Act in which states were not required, but strongly urged to come to an agreement on Class III gaming activities on Native American land. If a state chose not to negotiate with a tribe, that tribe could bring the issue to court. After *Seminole v. Florida*, Native Americans’

autonomy decreased as their desires to improve the socioeconomic standing of their communities could easily be prevented by a state's refusal to cooperate with them. Tribes no longer had the option of trying to negotiate with the corresponding state by using federal courts as mediators.

People are poorly informed about the Indian gaming situation. Often, Americans fail to realize that Native American tribes are sovereign entities who practice their own form of governance on their lands. Native American casinos on Native American land are thus legally protected from taxation. Conniving politicians who recognize this misconception try to utilize the issue to gain votes. As part of his campaigning efforts for the California governorship in 2003, Arnold Schwarzenegger targeted Native American casinos.<sup>61</sup> Schwarzenegger demanded that "tribes...pay...their 'fair share' to the state..."<sup>62</sup> The current budget deficit furthered Schwarzenegger's image of being proactively involved in finding solutions to grave problems Californians were facing. Native Americans continue to be an accessible scapegoat in American politics.

Indisputably, Native Americans have been the single largest group in the United States to have suffered the longest as a result of discrimination. Since the arrival of the colonists (in the 1600s), Native American tribes have been pushed into territory they did not originally occupy. When the United States finished expanding from sea to shining sea, reservations were set-up for indigenous tribes to dwell in. While this may not have been ideal for Native American tribes, they at the least had legal rights to be in designated spaces and govern their nations as they saw fit. However, there have been some problems in the relationships between Native American tribes and the United States. Native American tribes only have sovereignty if they are recognized as legitimate



tribes by the United States. Native American tribes can easily be denied the use of laws such as the Indian Gambling Regulatory Act simply because the United States refuses to recognize a tribe. Nevertheless, the recognition of tribes will likely be an issue that will continue to be exploited by American politicians; it affects the autonomy of Native American tribes in other sectors of their lives besides gambling. In issues pertaining to gambling, the United States has created some legislation that has the potential to help Native American tribes practice sovereignty over the administration of their gambling institutions. However, *Seminole v. Florida* demonstrated how fragile and vulnerable these pieces of legislation are. Instead of continuing to limit the autonomy of Native American tribes, the United States should enforce the scarce laws that allow Native American tribes to govern themselves. While the United States government may have an important interest in limiting gambling or at the least placing heavy taxes on the activity, the government system of other nations should be respected.

## **CHAPTER 7**

### **Gambling Scandals**

Gambling scandals are the most noticeable in sports bets. Wagering on sporting events is mostly illegal and can easily invoke or generate a scandal. The Mafia, a notorious entity, often controls illegal bets and can coerce athletes into creating the desired outcome of a match. Often, players, even in college, can also corrupt sports for selfish monetary rewards. It is for this reason that the government is preoccupied with creating legislation regulating the integrity of sports. The government has a legitimate interest in promoting ethical practices which include preventing gambling from corrupting sports.

#### **Notable Sports Wagering Scandals**

One of the biggest scandals in the sports world occurred in 1951 as it involved 32 college basketball players. The problem developed over a span of three years. By the time that the scandal became public, some of the basketball players had already begun to play with the NBA while others were beginning to be recruited by professional basketball teams. Not surprisingly, the convicted basketball players were banned from playing with the NBA, which was unfortunate because a few of them had already begun to shine. In fact, Ralph Beard and Alex Groza, both basketball players from the University of Kentucky, led the American basketball team to a gold medal victory in the 1948

Olympics.<sup>63</sup> Regrettably, Beard's and Groza's involvement in the points shaving scam abruptly ended their careers.

Authorities first learned of the conspiracy when Junius Kellogs, from Manhattan College, came forth to his coach stating that he had been approached by his former teammate, Hank Poppe, offering him a monetary reward for shaving points off his next basketball game.<sup>64</sup> Both the Manhattan College president and the basketball coach decided to involve the police. Law enforcement investigations led to the eventual arrests of several basketball players from seven different colleges and universities. Various basketball programs were severely damaged. For instance, the University of Kentucky had recently won two NCAA basketball championships<sup>65</sup> and City College of New York had won the National Invitation and the NCAA tournament; between both educational institutions, there was a combined amount of 10 players involved. Among the colleges involved were also Toledo University, NYU, LIU, and Bradley University. The American public was shocked to discover that a grand total of 86 college basketball games had been fixed.<sup>66</sup>

There have been other scandals—some involving Mafia connections. In 1971, Boston College basketball player Rick Kuhn was sentenced to ten years in prison for shaving points.<sup>67</sup> During the 1970 basketball season he was approached by Henry Hill, a criminal associated with the Lucchese family Mafia. Hill proposed that Kuhn help skew nine games in his favor, and for his efforts, Kuhn earned \$10,000. Kuhn also involved two more teammates but charges were not pressed against either. Later, Kuhn's sentence was reduced to twenty-eight months in prison.<sup>68</sup>

To be sure, sports wagering scandals are not limited to collegiate events or to basketball. One of the biggest scandals involves the Chicago Black Sox. Eight players were found guilty of fixing the match with the Cincinnati Reds during the 1919 World Series.<sup>69</sup> Among these players was a crowd favorite, Joe Jackson. Their incentive was \$100,000—enough when considering that the players felt that they were being underpaid.<sup>70</sup> Well before the victory of the Cincinnati Reds, there was an unusually high favoritism for them on the wagering books taking into account the statistical information suggesting that the Black Sox should be triumphant. The public was highly disappointed and the players were all banned from professional baseball.

There have been numerous incidents involving athletes' cooperation with fixing games and wagering. When the American public discovers the corruption behind some of their favorite pastimes and some of their idolized sports heroes, there is a great disillusionment. To date, there has not been a single sport that has been free from fraud

## **CHAPTER 8**

### **The Future of Gambling**

It is undeniable that gambling is strongly intertwined into American culture and history. While some of the core characteristics of gambling are the ones that helped found this country and that are possessed by the people it continues to attract to its shores, they are greatly disapproved by the federal government and frowned upon by society if they are practiced without adequate responsibility.

The United States government has a legitimate interest in regulating the gambling industry. One of the functions of government is to protect society from harm and to foster healthy citizens. Failing to restrict gambling can cause current problems associated with gambling to escalate. It is well known that various Mafia organizations control many gambling endeavors. While they could legally host gambling events by opening casinos, they often operate other illegal activities such as prostitution and the distribution of narcotics from their establishments. Keeping the government out of the Mafia's gambling businesses could allow the Mafias to expand their other illegal productions. Furthermore, Mafias often advance corruption in sports. They do this by bribing or coercing athletes to ensure a certain athletic party wins the competition in which they will be participating. The Mafia also encourages illegal sports betting. They understand that ordinary people like to wager on sports and that there are no legal avenues to satisfy this demand outside of Nevada and Oregon. Because the government values the integrity of sports it strives to prevent illegal sports wagering. The United States has tried to protect athletic completion

from corruption and society from other vices that often accompany gambling by passing various statutes strictly regulating gambling institutions.

Although the United States government has failed to fully prohibit gambling, it is clear that it disapproves of gambling beyond lotteries. The limited legal forms of gambling are highly taxed as form to discourage this behavior. Commercial casinos are often forced to have sin taxes as way to punish gambling activities. Indian gaming establishments, while they may not be subjected to taxes, still have to hire the American government to render security services and in this way pay the American government some type of fee for running their establishments. Perhaps the reason that Native American tribes have encountered numerous problems when trying to establish casinos has been because of the United States struggle to limit gambling; maybe it has nothing to do with international tensions.

The United States recognizes that it is inevitable for people to engage in gambling behavior. The country also realizes that while it may on the one hand consider it a moral wrong, it offers an opportunity to raise revenue. It is for this reason that the government has a monopoly on the lottery system. All of the income is managed by the government. This is most likely how well the government would like to control all gambling establishments. It seems that the lottery leaves little room for corruption. Of course politicians can manage to misuse it as a political tool but at least the government is the only responsible party for the administration of this institution.

The future of gambling seems bright. Not enough people view gambling as a serious problem and society is likely to continue to focus on the reduction of other destructive behaviors before it even begins to consider those of gambling. Furthermore,

there are those who, instead of trying to resolve the issue, will try to exploit it in an effort to either gain a political advantage over their opponents or to try to remedy other current situations with possible revenue created from the legalization of sports wagering, as Christy Mihos intended to do. While some people may argue that legalized gambling is immoral, others see this behavior as inevitable and would prefer to have some societal benefit as opposed to none. As time goes by, gambling in the American population will increase and so legislative dealing with this sport will also increase in efforts to control it.

## NOTES

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### THE ECONOMICS OF DISTINCT FORMS OF GAMBLING pg 5-12

1. (Morse and Goss 2007) pg 33
2. (Morse and Goss 2007) pg 36
3. (Morse and Goss 2007)
4. (Morse and Goss 2007) pg 39
5. (Grinols 2004) pg 73
6. (Herrmann 2002) pg 11
7. (Lottery Universe 2009)
8. (Dunstan 1997)
9. (Hansen 2005)
10. (Hansen 2005)
11. (King 2005)
12. (King 2005)
13. (Antigua Online Gaming Association 2006)
14. (Antigua Online Gaming Association 2006)
15. (Mihos 2009)
16. (McClellan, Hardy and Caswell 2006) pg 44
17. (McClellan, Hardy and Caswell 2006) pg 44

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18. (B.G. Kutais (ED.) 1999) pg 48
19. (Rodefer 2003)
20. (Rossum and Tarr 2010) pg 410
21. (B.G. Kutais (ED.) 1999) pg 84
22. (Humphrey 2010)
23. (Humphrey 2010)
24. (Light and Rand 2005) pg 44
25. (McClellan, Hardy and Caswell 2006) pg 47
26. (Civic Impulse, LLC 2000)
27. (Humphrey 2010)

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28. (Doyle 2008)
29. (Moore 1974) pg 137
30. (Moore 1974) pg 137
31. (Doherty 2003) pg 109
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34. (Doherty 2003) pg 113
35. (Doherty 2003) pg 113
36. (Denton and Morris 2001) pg 106
37. (Denton and Morris 2001) pg 114
38. (Doyle 2008)



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<sup>39</sup>. (Doyle 2008)

#### GAMBLING AND SPORTS pg 25-31

<sup>40</sup>. (Waterman 1996) pg 60  
<sup>41</sup>. (Waterman 1996) pg 60  
<sup>42</sup>. (Waterman 1996) pg 61  
<sup>43</sup>. (Waterman 1996) pg 61  
<sup>44</sup>. (California Horse Racing Board 2006)  
<sup>45</sup>. (Rosecrance 1988) pg 74  
<sup>46</sup>. (Longstreet 1977) pg 136  
<sup>47</sup>. (Findlay 1986) pg 118  
<sup>48</sup>. (SportBet 1997)

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<sup>49</sup>. (Land and Land 2004) pg 83  
<sup>50</sup>. (Land and Land 2004) pg 88  
<sup>51</sup>. (Denton and Morris 2001) pg50  
<sup>52</sup>. (Denton and Morris 2001) pg 56  
<sup>53</sup>. (Land and Land 2004) pg 99  
<sup>54</sup>. (Denton and Morris 2001) pg 57  
<sup>55</sup>. (VegasENews 2007)  
<sup>56</sup>. (The CA State Library 2007)  
<sup>57</sup>. (McGowan 2008) pg 8  
<sup>58</sup>. (McGowan 2008) pg 69  
<sup>59</sup>. (Hsu 1999) pg 49  
<sup>60</sup>. (Duthu 2008) pg125  
<sup>61</sup>. (Light and Rand 2005) pg 124  
<sup>62</sup>. (Light and Rand 2005) pg 125

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<sup>63</sup>. (R. Goldstein 2007)  
<sup>64</sup>. (J. Goldstein 2003)  
<sup>65</sup>. (R. Goldstein 2007)  
<sup>66</sup>. (J. Goldstein 2003)  
<sup>67</sup>. (J. Goldstein, Recent Scandals: BC, Tulane, and Northwestern 2003)  
<sup>68</sup>. (J. Goldstein, Recent Scandals: BC, Tulane, and Northwestern 2003)  
<sup>69</sup>. (Merron 2009)  
<sup>70</sup>. (Weiler 2000) pg 36